Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 TRSE-00 INT-05 CIAE-00

INR-07 NSAE-00 GSA-01 OMB-01 CIEP-01 STR-04 SP-02

SIL-01 LAB-04 PRS-01 /047 W
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R 071739Z MAY 75
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9932
INFO AMEMBASSY BRUSSELS
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AMEMBASSY LONDON
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AMEMBASSY PARIS
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AMEMBASSY DUBLIN
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL DUSSELDORF

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E.O. 11652: N/A
TAGS:EIND, ETRD
SUBJECT: ASSESSMENT OF FRG STEEL MARKET CONDITIONS
AND FRG FERROUS SCRAP REQUIREMENTS FOR 1975

REF: A) STATE 95936, B) STATE 97043, C) DUSSELDORF 465

1. DR. ROESCH, ECONOMICS MINISTRY STEEL INDUSTRY
DESK OFFICER,PROVIDED US WITH THE FOLLOWING INFORMATION
CONCERNING THE PRESENT FRG ASSESSMENT OF STEEL
MARKET CONDITIONS. IN GENERAL, HE EXPRESSED THE
OPINION THAT THE GERMAN STEEL MARKET HAS REACHED
ITS LOW POINT NOW AND THAT ALL INDICATIONS POINT
TO AN UPWARD TREND WHICH SHOULD BECOME CLEARLY
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RECOGNIZEABLE IN THE THIRD QUARTER BUT DEFINITELY

NO LATER THAN IN THE FALL OF THIS YEAR.

2. IN 1975, FRG CRUDE STEEL PRODUCTION WILL DEFINITELY NOT REACH THE RECORD 53.2 MILLION METRIC TONS PRODUCED IN 1974. DR. ROESCH'S ESTIMATE PARALLELS THAT OF THE GERMAN IRON AND STEEL INSTITUTE (BETWEEN 47 AND 49 MILLION METRIC TONS), PROVIDED THE UPSWING IN THE SECOND HALF TAKES PLACE AS EXPECTED. IF NOT, ROESCH THOUGHT THAT THE OUTPUT MIGHT BE ONLY 46 MILLION TONS.

3. 1974 ROLLED STEEL FINISHED PRODUCTS (39.6 MILLION METRIC TONS) ACCOUNTED FOR 74.4 PERCENT OF CRUDE STEEL PRODUCED. THIS PERCENTAGE IS ALSO EXPECTED TO HOLD FOR 1975, SO THAT THE OUTPUT OF ROLLED STEEL FINISHED PRODUCTS CAN BE EXPECTED TO BE BETWEEN 34 AND 36 MILLION METRIC TONS IN THE CURRENT YEAR. (DATA ON FINISHED STEEL INCLUDE WIDE STRIP STEEL, WHICH WAS NOT INCLUDED IN THE ESTIMATE OF THE GERMAN IRON AND STEEL INSTITUTE REPORTED IN DUSSELDORF 465.)

4. CAPACITY UTILIZATION IN 1974 WAS ABOUT 90 PERCENT ON THE AVERAGE. IN THE FIRST QUARTER 1975, IT WAS ABOUT 75 PERCENT WITH THE LOWEST POINT OF 70 PERCENT BEING REACHED IN MARCH. ROESCH EXPECTS AVERAGE CAPACITY UTILIZATION TO RISE SOMEWHAT, SO THAT AVERAGE UTILIZATION FOR THE YEAR AS A WHOLE WILL BE IN THE NEIGHBORHOOD OF 80 PERCENT.

5. DR. ROESCH COULD OFFER ONLY GENERAL COMMENTS ON 1975 STEEL CONSUMPTION. HE INDICATED THAT EXPORTS HAVE DROPPED AND THAT IMPORTS HAVE SIMULTANEOUSLY INCREASED. OVERALL STEEL CONSUMPTION HAS DECLINED SO FAR IN 1975 BUT WITH THE EXPECTED UPSWING HE THOUGHT IT MIGHT END UP FOR THE FULL YEAR AS UNCHANGED FROM 1974 LEVELS.

6. AFTER A GENERAL PRICE CUT OF UP TO 50 PERCENT, STEEL EXPORT PRICES, IN ROESCH'S OPINION, HAVE NOW SETTLED AT THE ABSOLUTE MINIMUM LEVEL. HE BELIEVES

THERE ARE SLIGHT INDICATIONS FOR A MODEST RECOVERY IN THE NEAR FUTURE.

7. ROESCH VIEWS THE CURRENT SITUATION OF STAINLESS STEELS TO BE BETTER OFF THAN THAT OF TOOL STEELS. HE BELIEVES, HOWEVER, THAT THE PRESENT REVIVAL OF THE GERMAN AUTOMOTIVE INDUSTRY WILL SOON BRING THE SITUATION BACK TO NORMAL.

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8. SCRAP INVENTORY LEVELS IN THE FRG AT THE END OF
FEBRUARY 1975 WERE 951,000 METRIC TONS AT STEEL
MILLS AND 276,000 METRIC TONS AT FOUNDRIES COMPARED
WITH 849,000 AND 280,000 METRIC TONS, RESPECTIVELY,
AT THE END OF 1974. IN 1974, TOTAL FRG SCRAP
IMPORTS WERE 1.8 MILLION METRIC TONS OF WHICH ONLY
3,000 METRIC TONS, OR 0.2 PERCENT, MAINLY STAINLESS
SCRAP, CAME FROM THE US. 94 PERCENT CAME FROM EC

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COUNTRIES, PREDOMINANTLY THE NETHERLANDS. ROESCH

EXPECTS THAT 1975 SCRAP IMPORT REQUIREMENTS WILL
BE ABOUT 10 PERCENT BELOW LAST YEAR'S LEVEL AND
THAT THE IMPORTS FROM THE US WILL AGAIN BE RESTRICTED
TO A FEW SCRAP SPECIALTIES.

9.GERMAN STEEL PRODUCERS CONTINUE TO DISCOUNT THE
LIKELIHOOD OF A DOMESTIC ECONOMIC REVIVAL THAT WILL
BE EARLY ENOUGH AND BROAD ENOUGH TO REVERSE THE
RATHER GRIM SHORT-TERM OUTLOOK FOR THEIR INDUSTRY.
ACCORDING TO RECENT PRESS REPORTS, THE STEEL INDUSTRY
EXPECTS EXPORT MARKETS TO REMAIN WEAK, SO THAT THE

ONLY SOURCE OF REVIVED DEMAND MUST BE ON THE
DOMESTIC SIDE. THERE HAS BEEN SOME REVIVAL
OF DEMAND BY THE AUTOMOBILE INDUSTRY, AND DOMESTIC
STEEL STOCKS ARE BEING USED UP, BUT ON THE OTHER
HAND THE STEEL INDUSTRY HAS CAUGHT UP WITH PENDING
ORDERS. DR. ROESCH AGREED WITH RECENT PREDICTIONS
BY INDUSTRY SPOKESMEN THAT STEEL FIRMS MAY SOON
HAVE TO PLACE MORE EMPLOYEES ON SHORT HOURS AS A
RESULT OF THE DROP IN NEW ORDERS. THOSE EMPLOYEES ALREADY
ON SHORT HOURS TOTAL 42,500, ABOUT 12 PERCENT OF THE
TOTAL WORK FORCE IN THE STEEL INDUSTRY. HOWEVER,
ROESCH
PREDICTSTHAT THE EXPECTED ECONOMIC REVIVAL
WILL LIMIT SHORT LABOR TO A TEMPORARY AND
MANAGEABLE PROBLEM.
HILLENBRAND

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